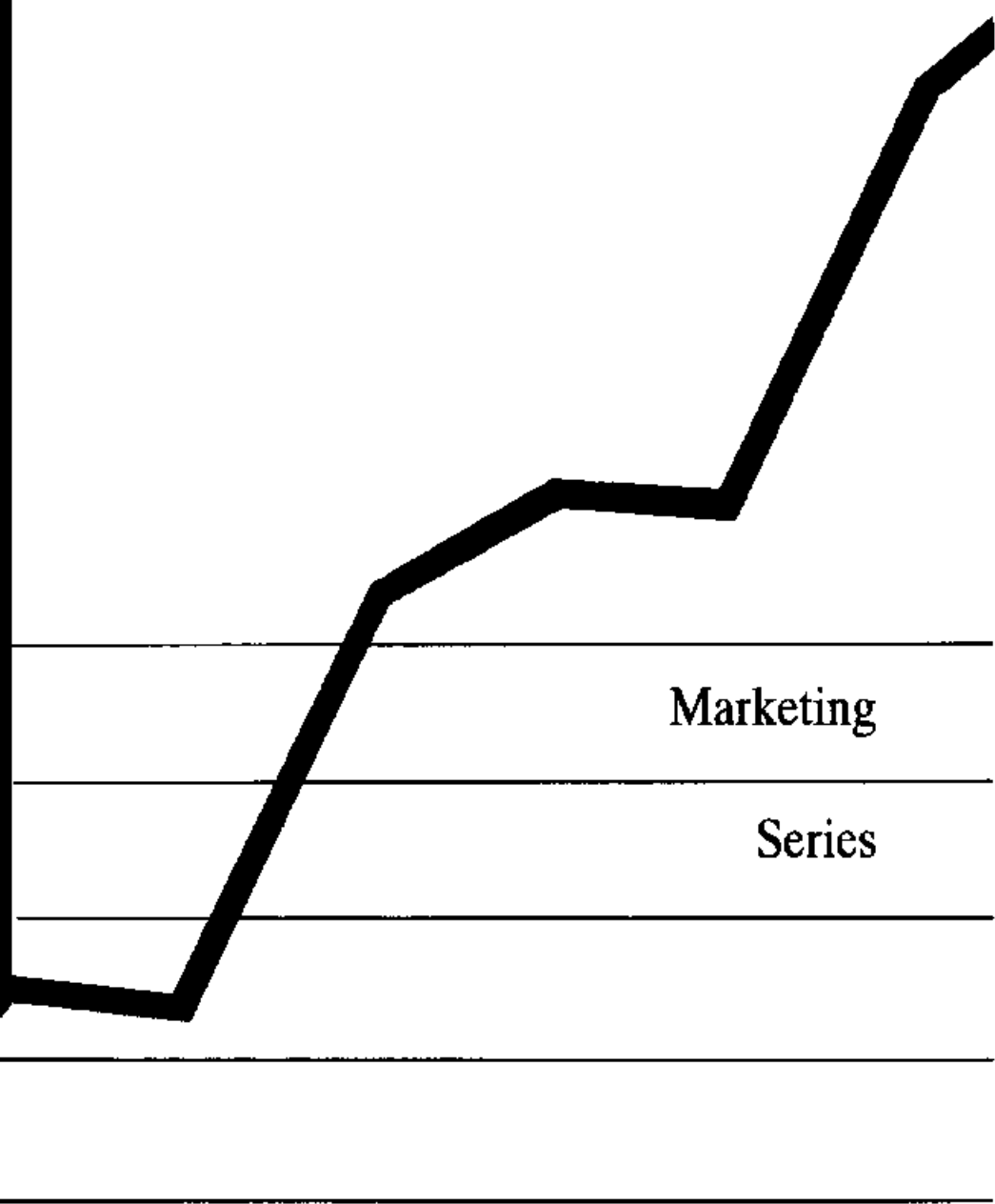


Marketing for Small Business: An Overview



Marketing
Series

Building America's Future

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Introduction

One of the greatest needs of managers of small businesses is to understand and develop marketing programs for their products and services. Small business success is based on the ability to build a growing body of satisfied customers. Modern marketing programs are built around the "marketing concept" and performance, which directs managers to focus their efforts on identifying, satisfying, and following up the customer's needs; all at a profit.

The Marketing Concept

The marketing concept rests on the importance of customers to a firm and states that: 1) **All** company policies and activities should be aimed at satisfying customer needs, and 2) **Profitable** sales volume is a better company goal than maximum sales volume.

To use the marketing concept, a small business should:

- 1) Determine the needs of their customers (Market Research);
- 2) Analyze their competitive advantages (Market Strategy);
- 3) Select specific markets to serve (Target Marketing); and
- 4) Determine how to satisfy those needs (Market Mix).

Market Research

In order to manage the marketing functions successfully, good information about the market is necessary. Frequently, a small market research program, based on a questionnaire given to present customers and/or prospective customers, can disclose problems and areas of dissatisfaction that can be easily remedied, or new products or services that could be offered successfully.

Market research should also encompass identifying trends that may affect sales and profitability levels. Population shifts, legal developments, and the local economic situation should be monitored to enable early identification of problems and opportunities. Competitor activity also

should be monitored. Competitors may be entering or leaving the market, for example. It is also very useful to know what your competitors' strategies are (i.e., how they compete).

Marketing Strategy

Marketing strategy encompasses identifying customer groups (Target Markets), which a small business can serve better than its larger competitors, and tailoring its product offerings, prices, distribution, promotional efforts and services towards that particular market segment (Managing the Market Mix). Ideally the strategy should try to address customer needs which currently are not being met in the marketplace and which represent adequate potential size and profitability. A good strategy implies that a small business cannot be all things to all people and must analyze its market and its own capabilities so as to focus on a target market it can serve best.

Target Marketing

Owners of small businesses have limited resources to spend on marketing activities. Concentrating their marketing efforts on one or a few key market segments is the basis of target marketing. The major ways to segment a market are:

- 1) Geographical segmentation – specializing in serving the needs of customers in a particular geographical area (for example, a neighborhood convenience store may send advertisements only to people living within one-half mile of the store).
- 2) Customer segmentation—identifying and promoting to those groups of people most likely to buy the product. In other words, selling to the heavy users before trying to develop new users.

Managing the Market Mix

There are four key marketing decision areas in a marketing program. They are: 1) Products and Services, 2) Promotion, 3) Distribution and 4) Pricing. The marketing mix is used to describe how owner-managers combine these four areas into an overall marketing program.

Products and Services—Effective product strategies for a small business may include concentrating on a narrow product line, developing a highly specialized product or

service or providing a product-service package containing an unusual amount of service.

Promotion—This marketing decision area includes advertising, salesmanship and other promotional activities. In general, high quality salesmanship is a must for small businesses because of their limited ability to advertise heavily. Good yellow-page advertising is a must for small retailers. Direct mail is an effective, low-cost medium of advertising available to small businesses.

Price—Determining price levels and/or pricing policies (including credit policy) is the major factor affecting total revenue. Generally, higher prices mean lower volume and vice-versa; however, small businesses can often command higher prices because of the personalized service they can offer.

Distribution—The manufacturer and wholesaler must decide how to distribute their products. Working through established distributors or manufacturers' agents generally is most feasible for small manufacturers. Small retailers should consider cost and traffic flow as two major factors in location site selection, especially since advertising and rent can be reciprocal. In other words, low-cost, low-traffic location means you must spend more on advertising to build traffic.

The nature of the product/service also is important in locational decisions. If purchases are made largely on impulse (e.g., flavored popcorn), then high traffic and visibility are critical. On the other hand, location is less a concern for

products/services that customers are willing to go out of their way to find (e.g., restaurant supplies). The recent availability of highly segmented mailing lists (purchased from list brokers, magazines, or other companies) has enabled small businesses to operate anywhere—and serve national or international markets.

Marketing Performance

After marketing program decisions are made, owner-managers need to evaluate how well decisions have turned out. Standards of performance need to be set up so results can be evaluated against them. Sound data on industry norms and past performance provide the basis for comparing against present performance.

Owner-managers should audit their company's performance at least quarterly. Lists of things to look for and of danger signals are given in some of the books recommended in this *Bibliography*.

The key questions to ask are:

- 1) Is the company doing all it can to be customer-oriented?
- 2) Do the employees make sure the customer's needs are truly satisfied and leave them with the feeling that they would enjoy coming back?
- 3) Is it easy for the customer to find what he or she wants and at a competitive price?

Bibliography

Information presented here is necessarily selective and no slight is intended toward material not mentioned. Publishers are invited to notify the SBA of relevant publications and other sources of information for possible inclusion in future editions. Prices of publications and their availability are subject to change. Bibliographies may be reprinted but not used to indicate approval or disapproval by the SBA of any private organization, product or service.

U.S. Government Publications

The publications cited in this section are booklets and pamphlets issued by Federal Agencies and listed under the issuing Agency. Some are free upon request, while others are offered at nominal cost.

GPO—Where availability of an individual listing is indicated by "GPO" (Government Printing Office), the publication may be ordered from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402. When ordering a "GPO" publication, give the title and series number of the publication, and name of Agency. Write the Agency or GPO for current prices.

Small Business Administration Washington, D.C. 20416

SBA issues a wide range of management and technical publications designed to help owner-managers and prospective owners of small businesses.

Listings of currently available publications (115A and 115B) may be requested free of charge from SBA, P.O. Box 15434, Ft. Worth, TX 76119.

Management Aids (3 to 30 page leaflets). Each title in this series discusses a specific management practice to help the owner-manager of small retail, wholesale, service or manufacturing firms with their management problems. Listed in 115A.

Small Business Management Series. Each booklet in this series discusses in depth the application of a specific management practice. The series covers a wide range of small business subjects. Prices vary. GPO. Listed in 115B.

Bureau of the Census Suitland, M.D. 20233

Request list of publications from the Census Bureau.

Census of Business for 1982. Retail—Area Statistics—U.S. Summary. GPO. Final figures from the 1982 Census of Retail Trade, includes statistical totals for each region, State, city and standard metropolitan area—tabulated by type of establishment.

Census of Manufacturers for 1982. GPO. Five volume report about manufacturing industries. Location of manufacturing plants tabulated by State and counties.

Census of Wholesale Trade of 1982. GPO. Two volume report of wholesalers, including geographical breakdowns by States, cities over 5000 population, and standard metropolitan statistical areas.

Census of Selected Service Industries for 1982. GPO. Two volume report of more than 150 kinds of service industries.

Census of Population for 1980. GPO. Most complete source of population data in the United States. Census is taken every 10 years.

County Business Patterns, 1982. GPO. A series of publications presenting first quarter employment and payroll statistics, by county and by industry. Separate reports issued for each of the 50 States, the District of Columbia, Puerto Rico and outlying areas of the United States.

County and City Data Book. GPO. Contains data for 50 States, 3141 counties, or county equivalents, 243 SMSAs, 840 cities of 25,000 inhabitants or more, among others.

Statistical Abstracts of the United States (Annual). GPO. A general review of statistical data collected by the United States Government and other public and private organizations. A good source of secondary data.

Department of Commerce Washington, D.C. 20230

Business Statistics (Biennial). GPO. A historical record of the statistics presented monthly in the *Survey of Current Business*.

Survey of Current Business (Monthly). GPO. The most current monthly and quarterly statistics on a number of general business and economic topics.

Federal Reserve System Washington, D.C. 20551

Federal Reserve Bulletin (Monthly). Current economic indicators and analysis of changing financial conditions.

U.S. Department of Labor Washington, D.C. 20210

Survey of Consumer Expenditures (1977 data updated from 1960–61 survey). Includes comprehensive information about consumer expenditures.

Office of Management and Budget Washington, D.C. 20503

Standard Industrial Classification Manual, 1972. GPO. Gives the definitions of the classifications of industrial establishments by activity engaged in and by SIC codes.

Nongovernment Publications

These general marketing books were selected to cover the full spectrum of marketing and marketing management. The small business management books have good sections on small business marketing.

General Marketing Books

Charles E. Merrill Publishing Co.
Columbus, OH 43216

Direct Marketing. 1986. Katzenstein, Herbert, and William S. Sachs

Goodyear Publishing Company
15115 Sunset Boulevard
Pacific Palisades, CA 90272

Marketing Principles. Enis, Ben M.

Houghton Mifflin Company
One Beacon Street
Boston, MA 02107

Marketing: Basic Concepts and Decisions. Pride, William M. and O. C. Ferrell.

Irwin, Richard D.
1818 Ridge Road
Homewood, IL 60430

Basic Marketing: A Managerial Approach. McCarthy, E. Jerome, and William D. Peacereault, Jr.

Prentice Hall, Inc.
Englewood Cliffs, NJ 07602

Marketing Management: Analysis Planning and Control. Kotler, Philip.

Small Business Books

Business Publications, Inc.
4347 So. Hampton Rd., Suite 210
Dallas, TX 75224

Small Business Management Principles. 1985. Sondeno, Stanley R.

Successful Small Business Management. Tate, Curtis E., L. C. Megginson, C. R. Scott, and L. R. Trueblood.

Houghton Mifflin Company
One Beacon Street
Boston, MA 02107

Small Business Management: A Guide to Entrepreneurship. Siropolis Nicholas C.

McGraw-Hill Book Company
1221 Ave. of the Americas
New York, NY 10036

Small Business Management Fundamentals. Steinhoff, Dan.

Wadsworth Publishing Company
10 Davis Drive
Belmont, CA 94002

Small Business Management: Essentials of Entrepreneurship. Klatt, Lawrence A.

Magazines and Journals

The following magazines and journals publish many articles in the marketing area that can be useful for business people.

Advertising Age. Weekly. Crain Communications, 740 Rush St., Chicago, IL 60611. Weekly news of advertising agencies, campaigns and current issues in advertising.

Business Week. Weekly. McGraw-Hill, 1221 Avenue of the Americas, New York, NY 10020. General magazine for businesspeople. Frequent articles are carried about practical marketing decisions in a variety of industrial situations.

Industrial Marketing. Monthly. Crain Communications, 740 Rush St., Chicago, IL 60611. Specialized magazine for industrial advertising situations. Frequently publishes for various industries.

Journal of Retailing. Quarterly. New York University, 202 Tisch Hall, Washington Square, New York, NY 10003. Publishes articles on various retailing topics, as well as book reviews and research studies.

Modern Packaging. Monthly. McGraw-Hill, 1221 Avenue of the Americas, New York 10020. Presents articles on annual packaging trends as well as new packaging developments.

Progressive Grocer. Monthly. The Butterick Division, American Can Company, 708 Third Avenue, New York, NY 10017. Describes current merchandising trends in retail food stores, and issues an annual report on the grocery industry each year.

Sales and Marketing Management. Semimonthly. Sales and Marketing Management, Inc. 633 Third Ave., New York, NY 10017. Many articles address sales management problems. Subscriptions includes the annual "Survey of Buying Power" which estimates buying power in the United States based upon population, income, and retail sales.

Marketing Associations

Many small businesspeople interested in marketing activities should be aware of the following associations. For a more exhaustive list of associations see the *Encyclopedia of American Associations*, available at most libraries or universities.

American Advertising Federation. 1225 Connecticut Ave., NW, Washington, D.C. 20036. Membership comprises people in advertising agencies, media, and advertising management, who seek to further the understanding of advertising.

American Marketing Association. 222 South Riverside Plaza, Chicago, IL 60606. Members generally come from marketing management, researchers, and educators. The principal objectives are to disseminate knowledge about marketing and to foster additional research in the marketing discipline.

National Association of Purchasing Management. 11 Park Place, New York, NY 10017. Primarily composed of purchasing agents and other types of buyers, who are interested in the dissemination of information about efficient purchasing management.

Sales and Marketing Executives International. 380 Lexington Avenue, New York, NY 10017. One of the largest marketing associations, with

members primarily from sales and marketing management. Holds frequent seminars, workshops, and clinics throughout the United States.

Local Sources

Frequently overlooked by owners of small businesses are the inexpensive sources of marketing information at the local level. These local sources are sometimes the best places to start in seeking marketing information.

Local Libraries

Local Chamber of Commerce Offices

Local Universities

Local City and County Governments

Field Offices of the Small Business Administration

Field Offices of the U.S. Department of Commerce

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